



CITY OF NEWARK ALAMEDA COUNTY TRANSPORTATION COMMISSION MEASURE BB FUNDS NEWARK, CALIFORNIA

FOR THE YEAR ENDED JUNE 30, 2023

BASIC FINANCIAL STATEMENTS

Focused
on YOU



CITY OF NEWARK
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE BB FUNDS

NEWARK, CALIFORNIA

Basic Financial Statements

For Fiscal Year Ended June 30, 2023

CITY OF NEWARK
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE BB FUNDS

NEWARK, CALIFORNIA

Basic Financial Statements

For Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Newark, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Alameda County Transportation Commission Measure BB Fund (Measure BB Fund) of the City of Newark, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Measure BB Fund's basic financial statements as listed in the table of contents.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements are prepared in accordance with the Alameda County Transportation Commission Measure BB agreement which requires that financial statements present only the activities pertaining to the program, and does not purport to present fairly, the financial position of the City as of June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



To the Honorable Mayor and Members of the City Council
City of Newark, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure BB Fund's basic financial statements. The accompanying budgetary schedules (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other



To the Honorable Mayor and Members of the City Council
City of Newark, California

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, on our consideration of the City's internal control over the Measure BB Fund's financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over the Measure BB Fund's financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Measure BB Fund's financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over the Measure BB Fund's financial reporting and compliance.

Lance, Soll & Loughard, LLP

Sacramento, California
December 15, 2023

CITY OF NEWARK
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE BB FUNDS
Balance Sheet
June 30, 2023

| | Paratransit | Local Streets and Roads | Bicycle and Pedestrian | Totals |
|--|-------------------|----------------------------|---------------------------|---------------------|
| Assets | | | | |
| Cash and investments | \$ 940,143 | \$ 2,013,127 | \$ 330,074 | \$ 3,283,344 |
| Intergovernmental receivables | 57,623 | 229,951 | 57,737 | 345,311 |
| Total Assets | \$ 997,766 | \$ 2,243,078 | \$ 387,811 | \$ 3,628,655 |
| Liabilities, Deferred Inflows of Resources and Fund Balance | | | | |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 186,594 | \$ 111,718 | \$ 27,926 | \$ 326,238 |
| Total Liabilities | 186,594 | 111,718 | 27,926 | 326,238 |
| Deferred Inflows of Resources | | | | |
| Unavailable Revenue | 29,183 | 116,459 | 29,241 | 174,883 |
| Total Deferred Inflows of Resources | 29,183 | 116,459 | 29,241 | 174,883 |
| Fund Balance | | | | |
| Restricted | 781,989 | 2,014,901 | 330,644 | 3,127,534 |
| Total Fund Balance | 781,989 | 2,014,901 | 330,644 | 3,127,534 |
| Total Liabilities and Fund Balance | \$ 997,766 | \$ 2,243,078 | \$ 387,811 | \$ 3,628,655 |

CITY OF NEWARK
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE BB FUNDS
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2023

| | Paratransit | Local Streets and Roads | Bicycle and Pedestrian | Totals |
|--|-------------------|----------------------------|---------------------------|---------------------|
| Revenues | | | | |
| Measure BB revenue | \$ 329,837 | \$ 1,313,179 | \$ 331,944 | \$ 1,974,960 |
| Use of money and property | 15,137 | 33,901 | 2,641 | 51,679 |
| Total Revenues | 344,974 | 1,347,080 | 334,585 | 2,026,639 |
| Expenditures | | | | |
| Bikes and pedestrians | - | - | 349,948 | 349,948 |
| Streets and parks | - | 111,718 | - | 111,718 |
| Recreation | 186,594 | - | - | 186,594 |
| Total Expenditures | 186,594 | 111,718 | 349,948 | 648,260 |
| Excess (Deficiency) of Revenues Over Expenditures | 158,380 | 1,235,362 | (15,363) | 1,378,379 |
| Fund Balance, Beginning of Year, as restated | 623,609 | 779,539 | 346,007 | 1,749,155 |
| Fund Balance, End of Year | \$ 781,989 | \$ 2,014,901 | \$ 330,644 | \$ 3,127,534 |

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Alameda County Transportation Commission – Measure BB Funds (Measure BB Funds) of the City of Newark, California (City), are included as a separate special revenue fund in the basic financial statements of the City. Measure BB Funds are used to account for the City's share of revenues earned and expenditures incurred under the City's paratransit, local streets and roads, and bike and pedestrian programs. The accompanying financial statements are for Measure BB Funds only and are not intended to fairly present the financial position or results of operations of the City.

B. Basis of Accounting and Measurement Focus

The accompanying financial statements are prepared on the modified accrual basis of accounting. Revenues are generally recorded when measurable and available, and expenditures are recorded when the related liabilities are incurred. Revenues are recorded when received in cash, except revenues subject to accrual (generally 60 days after year-end) are recognized when due. Unavailable revenues arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus, wherein only current assets and current liabilities generally are included on the balance sheet. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

C. Fund Accounting

The operations of the Measure BB Funds are accounted for in separate special revenue funds. The funds are separate accounting entities with a set of self-balancing accounts which comprise their assets, liabilities, fund equity, revenues, and expenses.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2: MEASURE BB FUNDS

Under Measure BB, approved by the voters of Alameda County in 2014, the City receives a portion of the proceeds of an additional one-half cent sales tax to be used for transportation-related expenditures. This measure was adopted with the intention that the funds generated by the additional sales tax will not fund expenditures previously paid for by property taxes but, rather, would be used for additional projects and programs.

Major projects funded by Measure BB were as follows:

Paratransit Program – To provide transit services for seniors and people with disabilities.

Streets and Roads Program – To improve, repair, and overlay city streets

Bike and Pedestrian Program – To provide sidewalk and American Disability Act (ADA) improvements and to implement the bikeway network.

CITY OF NEWARK
ALAMEDA COUNTY TRANSPORTATION COMMISSION – MEASURE BB FUNDS
Notes to Basic Financial Statements
June 30, 2023

NOTE 3: CASH AND INVESTMENTS

Measure BB funds are pooled with the City's cash and investments in order to generate optimum interest income.

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

Measure BB Funds had the following cash and investments at June 30, 2023:

Cash and Investments \$3,283,344

A. Investments

Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments are authorized:

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Minimum Credit Quality Requirements |
|---|---------------------|---------------------------------------|---|
| California Local Agency Investment Fund | None | None | None |
| California Asset Management Program | None | None | None |
| Securites of the U.S. Government | 5 years | None | None |
| Banker Acceptances | 180 days | 40% | None |
| Collateralized Certificates of Deposits | 5 years | 50% | None |
| Negotiable Certificates of Deposits | 5 years | 30% | None |
| Commerical Paper | 270 days | None | A-1 |
| Repurchase Agreements | 1 year | 0.5 | None |
| Reverse Repurchase Agreements | 92 days | 0.5 | None |

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments were stated at fair value using the aggregate method in all funds and component units. The City's investments are carried at fair market value as required by generally accepted accounting principles. The City accounts for all changes in fair value that occurred during the year and are reflected in the fund balance for the fiscal year. These investment value changes are unrealized since the City's policy is to generally hold and buy investments until maturity dates.

B. Risk Disclosures

Interest Risk – Interest rate risk is the fluctuation in fair value of investments due to changes in interest rates. The City's exposure to losses caused by rising interest rates is minimized by limiting the average maturity of the City's investment not to exceed five years.

Credit Risk – Credit risk is the risk of loss of value of a security or investment due to downgrade of its rating due to a change in the ability of the issuer to fulfill its debt obligation. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution to reduce the City's exposure to credit risks.

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – The custodial credit risk for an investment is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

C. Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The balance is available for withdrawal on demand. The City's investments with LAIF at June 30, 2023, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2023, the City invested in LAIF, which had invested 2.78% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City reports its investment in LAIF at cost which approximates fair value.

D. California Asset Management Program

The City also participates in the California Asset Management Program (CAMP). CAMP was established in 1989 and has been providing professional investment services to California public agencies. The CAMP pool is a permitted investment for all local agencies under California Government Code Section 53601(p). The pool is managed to earn a high rate of return while preserving principal, providing liquidity, and seeking a stable net asset value of \$1.00. Like any type of investment, there are several factors such as interest rate risk, market risk, etc. that could affect the pool's performance.

NOTE 4: INTERGOVERNMENTAL RECEIVABLES

The intergovernmental receivables represent the Measure BB sales tax revenues for the fiscal year received from the Alameda County Transportation Commission after June 30, 2023. As of June 30, 2023, the total Measure BB Fund's governmental receivable balance totaled \$345,311.

NOTE 5: COMMITMENTS AND CONTINGENCIES

The City participates in several grant programs. These programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

NOTE 6: RESTATEMENTS OF FUND BALANCE

For the fiscal year ended June 30, 2023, the Measure BB Funds restated the beginning fund balance of the Local Streets and Roads; and Bicycle and Pedestrian Funds by (\$200,000) and \$200,000, respectively. The prior period adjustment was made to correct expenditures related to the 2020 curb, gutter, and sidewalk replacement capital project, that were erroneously charged to the Local Streets and Roads Fund instead of the Bicycle and Pedestrian Fund. There was no impact on the fiscal year 2023 Annual Comprehensive Financial Report of the City.

SUPPLEMENTARY INFORMATION

Note 1: Budgets and Budgetary Accounting

The Agency follows the City's budgetary procedures in establishing the budgetary data reflected in the financial statements:

1. Every other year, the City Manager submits to the Governing Board a proposed biennial operating budget for the two fiscal years commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public work sessions are conducted to obtain taxpayer comments.
3. The budget is adopted by the Governing Board resolution prior to July 1st of even numbered years.
4. Expenditures may not legally exceed budgeted appropriations at the department level.
5. All budget adjustments and transfers between funds must be approved by the Governing Board by resolution during the fiscal year. The City Manager is authorized to transfer any unencumbered appropriations within a department within the same fund.
6. Formal budgetary integration, including the recording of encumbrances, is employed as a management control device during the year in all budgeted funds. Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities at that date.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
8. Budgeted amounts are as originally adopted or as amended by the Governing Board. Individual amendments were not material in relation to the original appropriations, which were amended.

CITY OF NEWARK
SUPPLEMENTARY INFORMATION
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE BB - ACTC PARATRANSIT
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

| | Budgeted Amounts Final | Actual Amounts | Variance with Final Budget |
|--------------------------------------|------------------------------|-------------------|-------------------------------|
| Revenues | | | |
| Measure BB revenue | \$ 275,000 | \$ 329,837 | \$ 54,837 |
| Use of money and property | - | 15,137 | 15,137 |
| Total Revenues | 275,000 | 344,974 | 69,974 |
| Expenditures | | | |
| Recreation | 220,000 | 186,594 | 33,406 |
| Total Expenditures | 220,000 | 186,594 | 33,406 |
| Excess of Revenues Over Expenditures | \$ 55,000 | 158,380 | \$ 103,380 |
| Fund Balance, Beginning of Year | | 623,609 | |
| Fund Balance, End of Year | | \$ 781,989 | |

CITY OF NEWARK
SUPPLEMENTARY INFORMATION
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE BB - ACTC LOCAL STREETS AND ROADS
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

| | Budgeted Amounts Final | Actual Amounts | Variance with Final Budget |
|--|------------------------------|---------------------|-------------------------------|
| Revenues | | | |
| Measure BB revenue | \$ 1,060,000 | \$ 1,313,179 | \$ 253,179 |
| Use of money and property | - | 33,901 | 33,901 |
| Total Revenues | 1,060,000 | 1,347,080 | 287,080 |
| Expenditures | | | |
| Streets and parks | 111,718 | 111,718 | - |
| Total Expenditures | 111,718 | 111,718 | - |
| Excess of Revenues Over Expenditures | \$ 948,282 | 1,235,362 | \$ 287,080 |
| Fund Balance, Beginning of Year, as restated | | 779,539 | |
| Fund Balance, End of Year | | \$ 2,014,901 | |

CITY OF NEWARK
SUPPLEMENTARY INFORMATION
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE BB - ACTC BICYCLE AND PEDESTRIAN
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

| | Budgeted Amounts Final | Actual Amounts | Variance with Final Budget |
|--|------------------------------|-------------------|-------------------------------|
| Revenues | | | |
| Measure BB revenue | \$ 284,000 | \$ 331,944 | \$ 47,944 |
| Use of money and property | - | 2,641 | 2,641 |
| Total Revenues | 284,000 | 334,585 | 50,585 |
| Expenditures | | | |
| Bikes and pedestrians | 350,000 | 349,948 | 52 |
| Total Expenditures | 350,000 | 349,948 | 52 |
| Deficiency of Revenues Over Expenditures | \$ (66,000) | (15,363) | \$ 50,637 |
| Fund Balance, Beginning of Year, as restated | | 346,007 | |
| Fund Balance, End of Year | | \$ 330,644 | |



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the City Council
City of Newark, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Alameda County Transportation Commission Measure BB Funds (Measure BB Funds) of the City of Newark, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Measure BB Fund's basic financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over the Measure BB Fund's financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over the Measure BB Fund's financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over the Measure BB Fund's financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Measure BB Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To the Honorable Mayor and Members of the City Council
City of Newark, California

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lance, Soll & Lughard, LLP". The signature is written in a cursive, flowing style.

Sacramento, California
December 15, 2023



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Honorable Mayor and Members of City Council
City of Newark, California

Report on Compliance

Opinion on the Measure BB Funds

We have audited the compliance of the City of Newark, California (the City), with the types of compliance requirements described in the agreement with the Alameda County Transportation Commission, that are applicable to its Measure BB Funds for the year ended June 30, 2023.

In our opinion, the City complied, in all material respects, with the types of compliance that could have a direct and material effect on the requirements referred to above applicable to the Measure BB Fund for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements specified in the Master Programs Funding Agreement between City and the Alameda County Transportation Commission. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Measure BB Fund and the City, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Measure BB Fund's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to its agreement with the Alameda County Transportation Commission.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions,



To the Honorable Mayor and Members of the City Council
City of Newark, California

misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Measure BB Fund's compliance with the requirements specified in the Master Programs Funding Agreement between City and the Alameda County Transportation Commission.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the compliance requirements referred to above, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Master Program's Funding Agreement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance of the Measure BB Fund

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



To the Honorable Mayor and Members of the City Council
City of Newark, California

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements described in the agreement with the Alameda County Transportation Commission that are applicable to its Measure BB Funds. Accordingly, this report is not suitable for any other purpose.

Lance, Soll & Lingham, LLP

Sacramento, California
December 15, 2023